

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

<i>In re</i>	:	Chapter 11
FTX TRADING LTD., <i>et al.</i> ¹	:	Case No. 22-11068 (JTD) (Jointly Administered)
Debtors.	:	Hearing Date: March 20, 2024 at 10:00 a.m.
	:	Objection Deadline: March 14, 2024 for UST
	:	Re: D.I. 4819, 4854, 4937 and 9157

**UNITED STATES TRUSTEE'S RESERVATION OF RIGHTS
REGARING PROFESSIONAL FEES AND EXPENSES
RELATED TO KROLL SECURITY INCIDENT**

Andrew R. Vara, the United States Trustee for Regions Three and Nine (“U.S. Trustee”), through his undersigned counsel, files this *Reservation of Rights Regarding Professional Fees and Expenses Related to Kroll Security Incident* (the “Reservation”) and respectfully states:

1. Professionals’ Fourth Interim Fee Applications cover August 1, 2023 through October 31, 2023. During this period, on Saturday, August 19, 2023, the Debtors’ claims and noticing agent, Kroll Restructuring Administration (“Kroll”), suffered a security breach during which attackers gained access to certain files containing personal information of claimants (the “Kroll Security Incident”). See <https://www.kroll.com/en/aboutus/news/security-incident> and *Notice of Communication to Claimants* [D.I. 2251].

¹ The last four digits of FTX Trading Ltd.’s and Alameda Research LLC’s tax identification numbers are 3288 and 4063, respectively. Due to the large number of debtor entities in these chapter 11 cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ proposed claims and noticing agent at <https://cases.ra.kroll.com/FTX>. The principal place of business of Debtor Emergent Fidelity Technologies Ltd is Unit 3B, Bryson’s Commercial Complex, Friars Hill Road, St. John’s, Antigua and Barbuda.

2. Several of Debtors' professionals -- including but not limited to, Sullivan and Cromwell LLP ("S&C"), Alvarez & Marsal North America, LLC, Baker Hostetler, and Owl Hill Advisory, LLC -- have billed the Debtors' estates for time and expenses related to efforts associated with the Kroll Security Incident. By way of example, Debtors' counsel S&C added a new time category to its monthly invoices called "Cyber Issues" for the related work, and the fees billed to that category for the months of August 2023 through October 2023 total \$1,291,085.50.

See Tenth, Eleventh and Twelfth Monthly Fee Statements of Sullivan & Cromwell LLP as Counsel to the Debtors and Debtors-In-Possession for Compensation for Professional Services Rendered and Reimbursement of Expenses Incurred. [D.I. 2773, 3548 and 4424].

3. Upon information and belief, approximately \$3 million in fees and expenses related to the Kroll Security Incident were billed to the Debtors' estates through November 2023.

4. On January 8, 2024, counsel for the U.S. Trustee advised Debtors' counsel that it was the U.S. Trustee's position that the Kroll Security Incident related fees and expenses should not be borne by the Debtors' estates. The Fee Examiner agrees with the U.S. Trustee's position. *See Fee Examiner's Summary Report on Fee Review Process and Fourth Interim Fee Applications*, p. 2. [D.I. 9157].

5. The U.S. Trustee and the Fee Examiner understand that Debtors are engaged in discussions with Kroll regarding reimbursement of the related fees and expenses. Debtors advised the Fee Examiner they anticipate full indemnification by Kroll and/or its insurers for these fees and costs. *Id.* at 3.

6. The U.S. Trustee reserves his right to object to payment by the Debtors' estates of

fees and expenses related to the Kroll Security Incident to the extent they are not reimbursed by Kroll and/or its insurer.

Respectfully submitted,

**ANDREW R. VARA,
UNITED STATES TRUSTEE
REGIONS 3 AND 9**

Dated: March 14, 2024

By: /s/ Linda Richenderfer
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CERTIFICATE OF SERVICE

I, Linda Richenderfer, certify that on March 14, 2024 I served copies of the *United States Trustee's Reservation of Rights Regarding Professional Fees and Expenses Related to Kroll Security Incident* through the CM/ECF notification system, with courtesy copies upon the following counsel via e-mail:

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